## **Income Tax - Colorado Source Capital Gain**

Can the capital gain from the sale of a sole proprietorship in Colorado qualify for the Colorado source capital gain subtraction?

Only the gains earned from the sale of tangible assets that meet the qualifications for the Colorado source capital gain subtraction may be deducted in the sale of a sole proprietorship. Because the sale of a sole proprietorship is not considered a sale of an entity, but only of its assets, such a sale does not qualify as a sale of an "ownership interest." Therefore, gains earned from intangibles owned by a sole proprietorship do not qualify for the subtraction.